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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 001724

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SUBJECT: RUSSIANS ARE THE SOLE BIDDER ON TURKEY'S NUCLEAR TENDER

REF: A. ANKARA 1687

[¶](#)B. 07 ANKARA 2755

Classified By: Economic Counselor Dale Eppler for reasons 1.4 (B) and (D)

[¶](#)1. (C) Summary. Ignoring delay requests from a majority of potential bidders, the GOT stuck to the September 24 bid submission deadline for the nuclear power tender and received only one bid, from AtomStroyExport of Russia. The bid will be subjected to an approval process, but GOT officials seem resigned to its ultimate acceptance. There were many signs that many bidders were not happy with the rushed GOT tender process and would not participate, so it is difficult to understand why the GOT pressed forward. Rationales range from political interests, to an overestimation of bidders' real interest. The GOT strategic aim for building nuclear power was to increase energy independence, but if the Russian bid is accepted, the opposite will happen -- Turkey's dependence on Russian fuel for electricity will increase from 35% to 55%. End summary.

[¶](#)2. (C) On September 24, the GOT received six envelopes from consortia who had bought tender specification documents in March 2008. Five envelopes contained "thank you" letters while one contained a real bid from the Russian parastatal company Atomstroyexport with its Turkish Partner, Park Group.

Why No Delay?

[¶](#)3. (C) Following the announcements of the results, Energy Ministry Undersecretary Selahattin Cimen told us that if he had to do it over, he would urge the government to give more time to prospective bidders to prepare offers. It is difficult to understand why the GOT did not delay the tender when there were clear signs that few companies would bid. Prospective bidders met with Energy Minister Guler on August 26 and requested a delay in the bid submission deadline. Reasons for the delay ranged from difficulty pulling together financing to lack of clarity on third party liability. Following the meeting, Guler told the press he opposed any delay. On September 18, Ambassador wrote to the PM to request a delay on behalf of U.S. company General Electric because its bid was not ready (ref a). On September 22, PM Erdogan also publicly ruled out a delay, even though at that point, the Energy Ministry expected at most three bids, from the Chinese, Russians and South Koreans.

[¶](#)4. (C) GE General Manager for Turkey Kursat Ozkan, told us that a delay would have been very difficult politically because the GOT has said publicly many times Turkey needs more electricity now. Many analysts predict electricity

shortages for 2009. Energy Ministry Deputy Director General for Energy Affairs Nilgun Acikalin told us a six month delay would not have guaranteed the resolution of some barriers to bids, such as Turkey's accession to the Paris Convention (which would have clarified liability issues) and the worldwide credit crunch that made private sector financing difficult. A third explanation is that the GOT expected more bids than came in. According to Referans columnist Erdal Saglam, Minister Guler was informed on September 22 French company Areva lacked financing and would not submit a bid. The Minister's informal advisor Faruk Demir told us the Minister asked his staff's opinion on September 23 about who would bid. Prevailing wisdom, which TAEK Chairman Okay Cakiroglu shared with us separately on September 19, was there would be three bids: Russian, Chinese and South Koreans.

Approval Process for the Bid

¶5. (SBU) The Russian bid will go through a two-step approval process. First, the Turkish Atomic Energy Agency (TAEK) will have 15 days to decide whether the bid meets the technical qualifications outlined in TAEK's criteria (www.taeck.gov.tr/olcutler/criterial_1.html). (Note: The week of September 29 is a holiday in Turkey and the government will be closed, so this process will likely begin Oct 6.) Assuming the bid meets the TAEK criteria, the final offer will be submitted to the Cabinet of Ministers for approval. According to the nuclear law (ref b), the basis for the Cabinet's decision will be the price per kilowatt hour. If the bid is rejected, the process will begin anew. Cimen told

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us a new law would be required for a new tender process. According to Acikalin, this new law would likely also spell out the terms and conditions for a public-private partnership for nuclear power development.

Will the Russians win?

¶6. (C) This is difficult to predict. According to Cimen, the Russian bid will most likely meet TAEK's criteria. That leaves price as the only apparent basis for refusal. According to Saglam, the GOT is expecting a bid around 8 to 9 Euro cents per kWh. If the bid is drastically higher, this, it could be a reason to cancel the tender. However, canceling the tender will not be easy. Cimen said only the Cabinet of Ministers could make such a political decision. MFA Energy Department Head Berris Ekinci said this is a delicate situation and that a cancellation would have to be considered within the context of overall Russia-Turkey relations. (Note: Russia is Turkey's largest single trading partner.) Saglam was more blunt saying the GOT would not dare cause a diplomatic issue with Russia over the tender. Demir said Erdogan talked to Putin about Turkey's nuclear tender during his August 14 trip to Russia and he suspects Erdogan will look favorably on the bid. The Russians, partner, Turkish company Park Group (part of Ciner Holding), may also have some political connections with the GOT. Demir claimed several of Guler's staff had connections with the company and Saglam said Ciner had originally been supporting the Chinese bid but joined the Russian consortium at the 11th hour when it decided not to bid.

If so, Turkey's Dependence on Russia Will Increase

¶7. (SBU) The GOT's strategic aim in establishing civilian nuclear power was energy independence. However, a winning bid by Russia would increase Turkey's dependence on Russia, the very country on which it already depends the most. Using Russian resources (natural gas, coal and fuel oil), Turkey generates 35% of its total electricity. Last year, Turkey generated 191 billion kWh of electricity. The nuclear power plant would add approximately 40 billion kWh (or 20%) to

Turkey's generating capacity. Taken together with other Russian fueled generation, Russian nuclear power in Turkey would leave Turkey 55% dependent on Russia for power generation.

No-thanks letters

¶8. (U) The companies that submitted letters of thanks but declined to bid were Atomic energy of Canada Limited (Canada), Suez-Tractebel (France-Belgium), Unit Investment N.V. (Netherlands). Hattat Holding (Turkey) and AkEnerji (Turkey). U.S. firm General Electric with Iberdrola (Spain) and local partner Sabanci had bought tender specifications but declined to bid.

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